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NOTE VERBALE DATED 13 MAY 1991 FROM THE PERMANENT MISSION OF ALGERIA TO THE UNITED NATIONS ADDRESSED TO THE SECRETARIAT OF THE UNITED NATIONS

The Permanent Mission of Algeria to the United Nations presents its compliments to the Secretariat of the United Nations and has the honour to request it to distribute, as an official document of the Economic and Social Council, the annexed declaration adopted by the participants in the Algiers Colloquium on the Impact of the Recent Evolution of East/West Relations on the Growth of the World Economy, in particular on the Economic Growth and Development of the Developing Countries, as well as on International Economic Cooperation. This Colloquium, which was held at Algiers from 4 to 6 May 1991, was organized by the United Nations Development Programme in close cooperation with the Director-General for Development and International Economic Cooperation, as well as the Algerian authorities, within the framework of the preparations for the special high-level meeting of the Economic and Social Council, with ministerial participation, scheduled to take place in Geneva on 4 and 5 July 1991, in accordance with the relevant provisions of General Assembly resolution 45/182.

Annex

DECLARATION OF THE ALGIERS COLLOQUIUM ON THE IMPACT OF THE RECENT EVOLUTION OF EAST/WEST RELATIONS ON THE GROWTH OF THE WORLD ECONOMY, IN PARTICULAR ON THE ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES, AS WELL AS ON INTERNATIONAL ECONOMIC COOPERATION, HELD FROM 4 TO 6 MAY 1991

At the initiative of the United Nations Development Programme, in close cooperation with the Director-General for Development and International Economic Cooperation and the Government of Algeria, the Colloquium on the Impact of the Recent Evolution of East/West Relations on the Growth of the World Economy, in particular on the Economic Growth and Development of the Developing Countries, as well as on International Economic Cooperation, was held in Algiers from 4 to 6 May 1991.

This Colloquium was convened within the framework of the preparations for the special high-level meeting on the subject, with ministerial participation, scheduled to take place in Geneva on 4 and 5 July 1991, in accordance with the relevant provisions of General Assembly resolution 45/182, as well as Economic and Social Council decision 1990/205 and Council resolution 1990/68.

The following participants attended the Colloquium: Abdlatif Al-Hamad, Aldo Ajello, Dragoslov Avramovic, Antoine Blanca, Yves Berthelot, Dmitry Bosky, Senator Francesco Forte, Zhang Fuxia, Smaïl Goumeziane, Stephany Griffith Jones, Gerald Hinteregger, Judit Kiss, Pavel Klima, Heribert Maier, Dominic Mulaisho, Goran Ohlin, Ide Oumarou, Valery Rybine, Willi Wapenhans and David Whaley.

The Colloquium had before it several written contributions. Opening statements were made by the Minister of Foreign Affairs of Algeria, the Director-General for Development and International Economic Cooperation of the United Nations and the Special Representative of the Administrator of the United Nations Development Programme.

At the first meeting, Mr. Ide Oumarou was unanimously elected Chairman of the Colloquium. Mr. Goran Ohlin was unanimously elected Rapporteur.

The participants in the Colloquium noted that perestroika in the Union of Soviet Socialist Republics and the revolutionary changes in Eastern Europe since 1989 to which it gave rise had turned East-West relations around. With democratic political reforms in the East, the unification of Germany and the end of the cold war, a relationship of confrontation and mutual distrust and an escalating arms race turned into intense cooperation on many fronts, especially in trade and finance. This cooperation raised from the beginning the question whether it would detract from the international development effort at the expense of the developing countries. The participants were fully aware that the objectives of the special high-level meeting of the

Economic and Social Council in 1991, with the ministerial participation, were to address that concern, examine the justification for such apprehension and propose appropriate policies in the context of the generally unfavourable current economic position of many developing countries.

The Colloquium did not attempt an exhaustive examination of the difficulties encountered in the transition from central planning to market systems. However, prospects for East-West economic relations will in large part depend on progress in the reform process. The trends in direct East-South cooperation will also be greatly affected by the course of the transition. It is therefore necessary, as a starting point for any review of the international impact of these changes, to undertake a brief assessment of the domestic reform process.

The participants in the Colloquium agreed on the following conclusions:

1. The structural reform under way in Eastern and Central Europe will be longer and more complex than expected, and the sequencing, timing and speed of reforms should be carefully thought through, to minimize costs and maximize benefits. The strategies of transition cannot be the same everywhere in view of the specificities of each country concerned. The achievement of the objectives of political, economic and social transition will benefit these countries and also the international community as a whole, including the developing countries.

2. Social costs, in terms of declining living standards, rising unemployment and falling output, may jeopardize the process. Frustration and disenchantment might lead to political backlash, a possible return to authoritarian rule and massive outward-migration. Every effort must be made to mobilize the reserves of creativity and technical talent for reform and return to growth and to keep social costs as low as possible without endangering the momentum of the transition.

3. Comprehensive reforms have not yet taken shape in the Soviet Union, but the plans are to accelerate the pace significantly in the course of this year.

4. Intra-group trade in the region is contracting sharply as a result of the demise of the Council for Mutual Economic Assistance (CMEA) arrangements for trade and payments and disruptions in the Soviet economy. Ways to ensure a more gradual restructuring of this trade and the switching of trade to the rest of the world should be explored.

5. The impact of the structural reforms in Eastern and Central Europe on the world economy, in particular on the developing countries, cannot yet be assessed, as the experience has been brief and the future outcome will depend on what Governments do. The integration of these countries in the world economy through the reactivation of their economic growth and development should open new opportunities for the world economy, as well as for the

exports of the developing countries. However, in the short and erm it may lead to a diversion of financial resources.

6. In private flows of finance, diversion is unlikely to t least in the short term; bank lending is negligible, whether to or the South, and will be resumed as individual countries regain creditworthiness. Similarly, direct foreign investment will onl significant proportions when the tide has turned and reforms sho f success.

Recommendations

The participants in the Colloquium were fully convinced of opportunity offered by the special high-level meeting of the Ecd Social Council to the United Nations system to contribute greate understanding of the process under way and the adoption of appro policies by the international community. To this end, the partiagreed to bring the following recommendations to the attention of the h meeting:

1. The special high-level meeting of the Economic and Soc il should provide the opportunity for the announcement of decisions ng the commitment made by the international community during the ei special session of the General Assembly to take all necessary st oid diversion of official financial resources at the expense of the nt of the developing countries. Special importance should be attached pursuit of the agreed objectives contained in the International nt Strategy for the Fourth United Nations Development Decade and theme of Action for the Least Developed Countries for the 1990s.

2. The efforts to integrate the countries of Eastern and urope into the world economy should continue to receive support and attrom the international community. The international community should port effectively the efforts of the developing countries, already unde towards their integration into the world economy.

3. Official development assistance (ODA) has long been std inadequate, most notably in the case of the poorest countries, an political effort is necessary for a genuine attack on world pover ast maintaining and preferably increasing ODA to these countries. To levels of ODA while increasing concessional flows of Eastern Euro restructuring of government expenditure in developed countries (fe, via lower armament expenditures) and/or some increase in taxation be required.

4. The recent proposal of the Government of Japan, backed ther industrialized countries, for a significant new special drawing r R) issue was supported by the Colloquium as a means of enhancing the y of developing countries.

5. All efforts should be made to avoid the possible negative impact of the East-West evolution on the economies of the developing countries, and in particular the possible diversion of financial resources. The extensive mobilization of official and multilateral financial support for the East by Western countries does not seem as yet to have diverted flows from developing countries. However, as disbursements accelerate and the levels increase, the danger of diversion will grow, unless new funds are mobilized. Moreover, the demand for new funds will increase considerably further if the Soviet Union decides to request funds from the international agencies on a significant scale. Estimates should be made of additional flows required so as to arrive at an assessment of shortfalls.

6. Assistance from the East to developing countries is flagging or suppressed under the impact of the deep depression in the Eastern countries and the deideologization of international relations. In the future, a new pattern of Eastern assistance to developing countries should be sought, allowing the East to assume fully its responsibilities in the international development effort.

7. Politically motivated aid from Western countries, with principally political or strategic objectives, should be expected to decline. As it is shifted towards genuine development purposes, the quality of aid should increase, provided the volume of aid is not allowed to contract.

8. Foreign direct investment flows in Eastern and Central Europe should be encouraged, inter alia through tax incentives in the developed countries which reward companies that invest in the region. The same encouragement should be extended to financing foreign direct investment in the developing countries, including the least developed among them.

9. Heavy debt burdens plague many countries in both the South and the East. Recent generous debt forgiveness to Poland has set a powerful precedent for relief to other debt-distressed middle-income countries, and even more so for low-income countries. Unless this precedent is followed, there is a risk of great injustice, as well as of disarray among creditors. The implementation of the debt strategy should be guided by the development needs of countries, and the Bretton Woods institutions should establish desirable debt profiles to be reached through rescheduling and debt-reduction negotiations. Concern was expressed about the effects of higher German (and, more generally, Western European) interest rates on debt servicing by developing countries; this increase in German interest rates is clearly linked to the public and private investment efforts linked to German unification.

10. Trade linkages of Eastern countries to the rest of the world are relatively weak for a limited number of partners, as a result of a long tradition of autarky. At present such trade is declining, with serious consequences for the partners but with little impact on developing countries as a whole. The negative consequences of the collapse of CMEA for those developing countries that were closely associated with its activities were particularly severe. In the future, the opening of Eastern markets to the

rest of the world will hold great opportunity for all countries as output and demand expand. Developing countries should already be exploring their market opportunities, and technical assistance should be given to them in support of their search for prospective trading partners and sources of trade finance. International lending institutions should consider providing such trade finance. The organs and organizations of the United Nations should assist the developing countries in this endeavour.

11. Support should also be given by international agencies, such as the United Nations Conference on Trade and Development (UNCTAD), to exchanges of information on demand and supply of particular primary products (e.g., oil and minerals) in which the producers in the East, developing countries and developed countries may wish to engage, with a view to avoiding possible massive disequilibrium in the international market.

12. Eastern countries have already been granted generalized system of preferences (GSP) treatment in certain markets in the European community, which puts them on an equal footing with developing country competitors. For the future, they seek fuller integration into the single European market, and it will be important to ensure that no inadvertent discriminatory practices arise; careful monitoring should be undertaken.

13. Migration from Eastern countries is already assuming significant proportions as boundaries open up. The status of migrants from Eastern countries as well as from developing countries has not yet been satisfactorily defined in an equitable manner. Special provisions for economic migration should be given early attention.

14. Given the unprecedented nature, the magnitude and the complexity of the societal transition under way in the East and its similarities with processes already undertaken by developing countries in all parts of the world, special attention should be given to facilitating exchange of experience between the East and the South. The high-level dialogue on economic policy in Latin America, the Caribbean and the countries in transition in Central and Eastern Europe organized recently by the Economic Commission for Europe and the Economic Commission for Latin America and the Caribbean, and supported by the United Nations Development Programme (UNDP), has demonstrated the usefulness of such an exchange of views and experience. The workshop organized by UNCTAD and the International Trade Centre UNCTAD/GATT, with the support of UNDP, in Antalya, at the invitation of the Government of Turkey, demonstrated equally the usefulness of systematic bilateral encounters between entrepreneurs and officials of Eastern European countries and of partner countries. Technical cooperation among developing countries and other modalities at the disposal of the United Nations system should continue to be used. Topics on which experiences might be exchanged could include, for example, export production, promotion and marketing, exchange rate policy, foreign investment policy, control of inflation, industrial strategy and support, acquisition and use of technology, price stabilization and subsidies.

15. A lack of direct experience in managing in a competitive market economy at all levels of management and policy-making in Eastern Europe and the Soviet Union is an impediment to obtaining concrete results from the economic reforms currently under way. Although important training programmes have been started, these need to be supplemented by more practical in-country workshops and well-designed and well-coordinated ongoing training programmes in the developed countries for the region's managers and policy makers, created and funded by partners in the developed countries - Governments and educational institutions.

16. As the awareness of the political, social and cultural dimensions of the reform process grows, with widespread transitional unemployment emerging as a major element of the move to a market economy, there is an urgent need to address in a more systematic, comprehensive and integrated manner the impact of the transition on human development. All countries undergoing profound transformation of their societies, in both the East and the South, should be invited to participate in such an exercise, which could be organized under the auspices of UNDP. Reassessing the human development situation in those countries in the light of new statistics and other information based on international norms would be a starting point for such an endeavour.

17. Developing countries in transition towards democratic and market-oriented systems should be granted additional support through appropriate financial institutions designed, as in the case of the recently created European Bank for Reconstruction and Development, to meet their specific needs.

18. Monitoring mechanisms, within existing United Nations institutions, on the impact of the recent evolution of East/West relations on the world economy should be strengthened and greater attention paid to the effect on the growth and development of developing countries. Also, the United Nations system and other bodies should encourage exchange of experience on the development process, in both Eastern European and the developing countries, in order to draw appropriate lessons.

19. The Economic and Social Council should continue to review the impact of that evolution on a regular basis. The possibility of convening a similar high-level meeting of the Council on this subject in 1995, with ministerial participation, could be examined.

The participants in the Colloquium agreed to mandate the Chairman to present their conclusions and recommendations at the opening of the special high-level meeting of the Economic and Social Council.